

Message Text

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PAGE 01 STATE 305321

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TAGS:ECLA, EFIN

SUBJECT:MEXICO CITY MEETING ON LATIN AMERICAN SAFETY NET

1. AT THE 16TH SESSION OF THE ECONOMIC COMMISSION FOR LATIN AMERICA (ECLA) IN PORT-OF-SPAIN (MAY 1975) THE MEMBER GOVERNMENTS DIRECTED THE ECLA SECRETARIAT TO STUDY CREATION OF A NEW REGIONAL FINANCIAL "SAFETY NET" FOR LATIN AMERICA. THE PROPOSAL WAS STUDIED BY A GROUP OF EXPERTS THAT MET IN SANTIAGO IN JULY. IT WAS ALSO DISCUSSED AT THE 21ST ANNUAL MEETING OF LATIN AMERICAN CENTRAL BANK GOVERNORS IN AUGUST. AT THE LATTER MEETING THE GOVERNORS APPOINTED REPRESENTATIVES FROM ARGENTINA, BRAZIL, COLOMBIA, ECUADOR, MEXICO, URUGUAY, VENEZUELA AND CENTRAL AMERICA TO WORK WITH ECLA-CEMLA IN ORDER TO PROPOSE RECOMMENDATIONS ON THE SAFETY NET FOR CONSIDERATION AT A LATER MEETING OF THE CENTRAL BANK

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PAGE 02 STATE 305321

GOVERNORS. THIS WORKING GROUP MET IN MEXICO CITY NOVEMBER

24-25, 1975, BUT WITHOUT REPRESENTATIVES FROM ARGENTINA AND BRAZIL.

2. THE CONCLUSIONS REACHED WERE RATHER GENERAL, EMPHASIZING THE NEED FOR FURTHER STUDY AND RECOMMENDING THAT ECLA-CEMLA PREPARE A DOCUMENT OUTLINING SPECIFIC ALTERNATIVES FOR A SECOND MEETING OF THE WORKING GROUP TO BE HELD IN COSTA RICA ON FEBRUARY 26-27, 1976.

3. TENTATIVE CONCLUSIONS OF THE GROUP:

(A) THE NET SHOULD BE CAPABLE OF MEETING PROBLEMS OF LARGE COUNTRIES OF THE REGION AS WELL AS SMALL;

(B) THE SAFETY NET WOULD BE A SYSTEM OF GUARANTEES, WOULD NOT REQUIRE PAID-IN CONTRIBUTIONS AND WOULD BE VIABLE ONLY WITH SUBSTANTIAL EXTRA-REGIONAL PARTICIPATION;

(C) VIEWED AS AN INSTRUMENT OF "LAST RESORT" IT SHOULD REQUIRE "REASONABLE USE" OF OTHER RESOURCES (TENTATIVELY INTERPRETED AS PRIOR USE OF IMF GOLD AND FIRST CREDIT TRANCHES);

(D) EXISTING REGIONAL MECHANISMS FOR CLEARING AND SHORT TERM FINANCING WHICH ARE LINKED TO INTRA-REGIONAL TRADE, COULD NOT SERVE THE PURPOSE FOR WHICH THE SAFETY NET IS PROPOSED;

(E) IF ESTABLISHED, THE NET SHOULD BE A PERMANENT MECHANISM TO BE REVISED PERIODICALLY.

4. ON SEVERAL POINTS NO CONCLUSION WAS REACHED EXCEPT THE NEED FOR FURTHER STUDY:

(A) SOME REPRESENTATIVES BELIEVED THERE WERE LEGAL DIFFICULTIES PREVENTING CENTRAL BANKS FROM EXTENDING GUARANTEES TO OBLIGATIONS OF OTHER COUNTRIES;

(B) POSSIBILITY OF USING RESTITUTED IMF GOLD FOR THE SAFETY NET AND MERITS OF DOING SO BOTH REQUIRE STUDY.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 305321

(C) EXTRA-REGIONAL PARTICIPATION--THE JOINT SECRETARIAT WAS ASKED TO EXPLORE THIS SYSTEMATICALLY WITH GOVERNMENTS AND INSTITUTIONS.

5. THE U.S. OBSERVER (FEDERAL RESERVE YVES MARONI) REPORTS THAT THE SMALL COUNTRIES SHOWED MORE ENTHUSIASM FOR THE SAFETY NET THAN THE LARGER COUNTRIES. ROBINSON

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